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Steve Wene, State Bar No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Ave., Suite 1100
Phoenix, Arizona 85004
Telephone: 602-604-2141
e-mail: swene@law-msh.com

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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER-SMITH, CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
DOUG LITTLE

Arizona Corporation Commission

DOCKETED

NOV 24 2015

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BAU

IN THE MATTER OF THE APPLICATION
OF SOUTHLAND UTILITIES COMPANY,
INC. FOR AN INCREASE IN RATES

DOCKET NO. W-02062A-15-0224

RESPONSE TO STAFF REPORT

Southland Utilities Company, Inc. ("Company" or "Southland") hereby responds to the Staff Report docketed on November 9, 2015. Generally, Staff and the Company agree on most of the amounts in this case. The differences are readily identifiable and explained herein. Schedules supporting the Company's position are set forth in Attachment 1.

Rate Base

Staff and Southland agree on the components that make up rate base with two exceptions. Staff is recommending rate base of \$1,057,660 and Southland proposes \$1,095,707, a \$38,047 difference. The difference is comprised of \$40,715 for CIAC,

1 (\$2,951) for CIAC amortization, and \$283 in the working capital allowance. The
2 allowance for working capital is immaterial so the Company is not addressing the issue.
3
4 On the other hand, how to account for the CIAC and the associated amortization resulting
5 from the WIFA loan is a notable difference between Staff and Southland.

6 In Decision 72429, the Arizona Corporation Commission (“Commission”) ordered
7
8 “the portion of plant paid for with WIFA Surcharge Funds shall be to treat such plant as
9 Contributions in Aid of Construction.” This was something unusual for the ACC to
10 order, as well as being a regulatory item that must be tracked outside of the utilities
11 books. As Staff and the Court may recall, Southland opposed this approach because it
12 was going to create an accounting and tracking nightmare for the small water company.
13
14 Unfortunately, but not surprisingly, the original application did not include the amounts
15 the Company paid to WIFA for loan principal as CIAC or the associated amortization.
16

17 Near the end of the discovery process, Staff asked the Company to explain how it
18 was applying the order. Tracking complications stemming from how the WIFA loan
19 payments must be recorded on Southland’s books prevent these amounts from naturally
20 appearing in the CIAC account when the payment is made. This is due to the fact that the
21 credit associated with the WIFA payment is to the cash account and not CIAC.
22
23 Therefore, the CIAC associated with the WIFA loan cannot be recognized on the books
24 of the utility, only be tracked separately off the books.
25

26 Southland is providing Response to Staff’s Fourth Set of Data Requests to provide
27 details of how the proposed amounts of CIAC, accumulated amortization, and the CIAC
28 amortization rate were determined by the Company. See Attachment 1, Schedule 2.

1 Southland proposes to continue to use the historical 2% CIAC amortization rate it has
2 been using for contributions related to line extensions and the calculated composite
3 depreciation rate for the WIFA CIAC.
4

5 In contrast, Staff determined its amount of WIFA CIAC by totaling the principal
6 portion of the WIFA payments from the first payment in 2013 through January of 2016,
7 which approximates when a Decision is expected in this case. Southland's position is
8 that it is more appropriate to wait until the next rate case to extend the amount of
9 principal payments included in CIAC beyond the end of the current test year.
10

11 Southland continues to bill and collect WIFA surcharges, and will continue such
12 practice until the new rates go into effect. In addition, there is a timing difference
13 between the amounts billed to customers per month for the surcharge and when those
14 charges are collected. Currently, Southland bills its customers for the WIFA surcharge
15 each month, and at some point in the future, the amount should be collected as part of the
16 normal monthly bill. The WIFA surcharge revenues are tracked separately from water
17 revenue and deposited into a special account. Collection of the WIFA surcharge
18 revenues to be recognized as CIAC will continue well into 2016, and will need to be
19 tracked until all surcharge funds that were billed have been collected and used to pay the
20 WIFA loan. In addition, the special bank account used to pay the WIFA loan will have
21 funds available to make payments into 2017. See Attachment 1, Schedule 5 (illustrating
22 how additional CIAC will be added as WIFA loan payments are made).
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27 At the end of the test year, Southland has collected \$222,537 in surcharge amounts
28 billed and paid \$146,616 in monthly payments. Of that amount, \$63,415 was for the loan

1 principal. During 2015, Southland has collected an additional \$87,121 in surcharge
2 revenue and paid \$84,865 in monthly payments. Of that amount, \$36,562 was for the
3 loan principal. Note that some WIFA surcharge funds have been collected but not used to
4 pay the loan yet. Until those funds are used to make WIFA loan payments, per Decision
5 72429, the funds are not yet CIAC. Until the new rates take effect, Southland will
6 continue to bill and collect this WIFA surcharge.
7
8

9 As indicated above, there will be additional CIAC as a result of the ongoing WIFA
10 loan payments. However, due to the unique nature of Decision 72429, the Company
11 believes this situation should be dispatched as fairly and efficiently as possible, so as to
12 not incur additional cost. Including CIAC amounts beyond the test year end is not
13 efficient or necessary unless the currently held and future surcharge receipts are not going
14 to be considered CIAC. It is unclear what Staff's intentions are regarding the currently
15 held funds and future surcharge collections after the decision in this case is finalized. All
16 that is clear is that Staff recommends the surcharge will cease at that time. If the intent is
17 that none of the surcharge funds currently held or collected after the new Decision is
18 issued are to be counted as CIAC, then including loan principal amounts through January
19 of 2016 would make sense as it would finalize the issue. If the intent is that future
20 surcharge collections and the current bank account funds after the Decision in this case
21 are indeed CIAC, then Southland believes it is more efficient to include CIAC amounts
22 only through the end of the test year. The amount of CIAC that will be attributed to the
23 WIFA loan can be finalized in the next rate case.
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Operating Income

Regarding the CIAC amortization rate, Staff has recommended a rate of 5.6495%. Staff's rate is calculated by dividing the recommended depreciation expense of \$77,406 by depreciable plant in service of \$1,370,129 to arrive at a composite rate. The Company disagrees with using this rate as the amortization rate for a couple of reasons. First, the depreciation expense amount was calculated including post-test year plant, but the plant in service amount does not include post-test year plant. Southland believes if calculated this way, the composite rate, and therefore the CIAC amortization rate, would be 5.4459 percent. Additionally, it is unclear how Staff determined fully amortized contributions were \$78,605 when the amount is actually \$72,721.

In contrast, Southland used the composite rate of the assets paid for with the WIFA loan, which totals 5.01%. *See Attachment 1, Schedule 2.* Southland believes this amortization rate more appropriately matches the depreciation expense that will be recognized from the assets purchased with the WIFA loan proceeds, much like how the current CIAC for line extensions is being amortized at the same 2.00% rate the main lines are being depreciated.

Staff and the Company both agree that gross depreciation expense is \$77,406. *See Attachment 1, Schedule 3e.* Staff recommends \$6,411 for CIAC amortization expense and Southland recommends \$2,565. *See Attachment 1, Schedule 2.* The Company's amount appropriately matches the CIAC amortization rate to the depreciation rate for the assets paid for with CIAC funds. This results in the Staff calculated net depreciation expense being \$3,846 less than Southland. The Company believes its calculations

1 regarding CIAC, accumulated CIAC amortization, and the CIAC amortization rates are
2 reasonable and appropriate and should be adopted.

3 4 **Cash Flow Analysis**

5 Southland recommends cash flow from operations to be \$72,626 as supported by
6 Attachment 1, Schedule 3a. Meanwhile, it is unclear where Staff obtained its amounts
7 for debt service, but an annual amount of \$83,953 was used. However, the current WIFA
8 annual debt service per year is \$91,752. Using the correct amount of debt service would
9 decrease the amount of cash flow from operations as shown on Staff Report Schedule
10 JLK-6, line 28 from \$76,579 to \$68,780. This adversely impacts Company cash flow by
11 \$7,799. Accordingly, the Company's position should be adopted.

14 **Rates and Charges**

15 Southland's rate design mirrors the existing split between monthly minimums and
16 commodity rates, which is 53% to 47% respectively. With the WIFA surcharge being
17 removed, this split offers a reasonable amount of revenue stability to ensure Southland
18 can pay its WIFA debt.

19 Although Staff and the Company agreed on the original revenue requirement, it
20 appears that Staff's rate design is in error because it does not follow the standard meter
21 multiplier and the rates seem to exceed the revenue target. Staff Report Schedule JLK-4
22 lists Staff recommended rates for monthly usage charges for the various meter sizes.
23 There is a \$20 difference between the 5/8 x 3/4-inch meter and the 3/4-inch meter, as well
24 as only a \$30 difference between the monthly minimum for a 3/4-inch meter and a 1-inch
25 meter. These Staff recommended amounts do not follow the standard meter multipliers
26
27
28

1 and the revenue the rates generate does not match the revenue requirement. Southland
2 believes this may be due to errors on Schedule JLK-4 as opposed to intentionally setting
3 the rates as proposed by Staff.
4

5 In addition, Staff is recommending to lower the rate for service line and meter
6 installation charges from what is currently approved. The Company submitted proposed
7 service line and meter installation charged that were unchanged from what was approved
8 in the last rate case. For some unknown reason and without justification, Staff had
9 reduced these amounts between \$30 and \$80 after all these years. If Staff were to apply
10 inflationary components to those amounts they would be much higher. Aside from any
11 inflationary components, it is not reasonable to think that construction costs have
12 decreased over the past six years. Furthermore, the charges proposed in the engineering
13 report match Southland's recommendation and the current rates. Therefore, knowing
14 inconsistencies in the Staff Report itself, Southland believes that its cost of service line
15 and meter installation charges, which have been in place since 2009, should be adopted.
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20 **Best Management Practices**

21 Staff recommends the Commission require the Company to file three BMPs in the
22 form of tariffs. The Company opposes this recommendation. As noted in Commission
23 Decision No. 74900, "BPMs are a creation of ADWR and [Naco Water Company] is not
24 required to adopt BMPs under ADWR rules. Recent Commission Decisions have opted
25 not to adopt BMPs for companies that have objected to their imposition." In the Naco
26 matter, the Commission encouraged Naco to consider implementing BMPs, but there was
27 no requirement to do so. The Commission took the same approach with the Dragoon
28

1 Water Company. *See* Decision 75037. Southland believes the approach adopted in the
2 Naco and Dragoon cases is reasonable and the recommended opinion and
3 recommendation here should be similar.
4

5 **Effective Date**

6 In addition to the issues raised herein, the Company requests that the upcoming
7 decision include language that allows the rates to go into effect during the next billing
8 cycle. This approach means the Company will not have to prorate bills, which is very
9 time consuming and costly to the Company.
10

11 **Conclusion**

12 Southland requests the Commission approve the rates and charges as
13 recommended in this filing to lay the ground work for how to deal with the impact of
14 Decision 74249 without incurring additional cost.
15

16 DATED this 24th day of November, 2015.
17

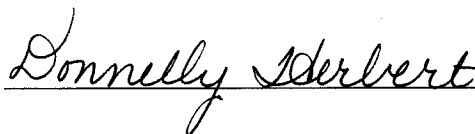
18
19 **MOYES SELLERS & HENDRICKS LTD.**

20 

21 Steve Wene
22

23 **Original and 13 copies** filed this
24 24th day of November, 2015, with:

25 Docket Control
26 Arizona Corporation Commission
27 1200 West Washington
28 Phoenix, Arizona 85007



ATTACHMENT 1

SUMMARY OF RATE BASE

	Actual at End Of Test Year	Pro forma Adjustment		Adjusted at End Of Test Year
1. Gross Utility Plant in Service	\$ 1,698,854	\$ 51,246	1	\$ 1,750,100
2. Less: Accumulated Depreciation	(589,297)	478	2	(588,819)
3. Net Utility Plant in Service	\$ 1,109,557	\$ 51,724		\$ 1,161,281
Less:				
4. Advances in Aid of Construction	\$ 5,158	\$ -		\$ 5,158
5. Contributions in Aid of Construction	87,956	\$ 63,415	4	151,371
6. Amortization of CIAC	(81,023)	(2,933)	4	(83,956)
7. Net CIAC	\$ 6,933	\$ 60,482		\$ 67,415
8. Meter Deposits	5,067			5,067
9. Accumulated Deferred Income Tax	7,597			7,597
Add:				
10. Allowance for Working Capital	-	19,663	3	19,663
11. Total Rate Base	\$ 1,084,802	\$ 10,905		\$ 1,095,707
12. Operating Income				\$ 89,537
13. Rate of Return - OCLD				8.17%

1 To include post Test Year plant additions:

307 - Wells and Springs	\$ 19,380
311 - Pumping Equipment	30,938
331 - Transmission and Distribution	1,319
334 - Meters	1,459
347 - Retirement from last rate case still on books	(1,850)
Total Rate Base Adjustment 1	<u>\$ 51,246</u>

2 Adjust accumulated depreciation for account 340	\$ (295)
Remove accumulated depreciation from account 341	(174)
Adjust accumulated depreciation for account 347	947
Total Rate Base Adjustment 2	<u>\$ 478</u>

3 Adjustment to include working capital allowance at 1/24th of purchased power and 1/8th operations and maintenance.

4 Refer to Schedule 2.

Detail of WIFA Loan Proceeds and Calculation of CIAC Amortization

Account	Amount	% of Total Capitalized	Depreciation Rate	CIAC Composite Rate
304 – Structures and Improvements	\$ 22,118	2.22%	3.33%	0.07%
311 – Pumping Equipment	265,365	26.60%	12.50%	3.33%
320.1 – Water Treatment Plant	6,560	0.66%	3.33%	0.02%
330.1 – Storage Tanks	514,666	51.60%	2.22%	1.15%
331 – Transmission & Distribution Mains	27,194	2.73%	2.00%	0.05%
335 – Hydrants	153,743	15.41%	2.00%	0.31%
347 – Miscellaneous Equipment	7,833	0.79%	10.00%	0.08%
620 – Outside Services Expense	15,806	N/A	N/A	N/A
Total WIFA loan as of 12/31/2014	<u>\$ 1,013,284</u>	<u>100.00%</u>		<u>5.01%</u>

Additional 12/31/14 CIAC Derived from WIFA loan principal payments

	CIAC	2013	CIAC Amortization 2014	Total
Year 1 - 2013	\$ 26,853	\$ 672.39	\$ 1,345	\$ 2,017
Year 2 - 2014	<u>36,562</u>	-	<u>916</u>	<u>916</u>
Total additional amounts as of 12/31/14	<u>\$ 63,415</u>		<u>\$ 2,260</u>	<u>\$ 2,933</u>

Total Amount of CIAC including WIFA amounts

Year of Line Extension	CIAC Balances	12/31/13 Accumulated Amortization	Rate	2014 Amortization Expense	12/31/14 Accumulated Amortization
1984	\$ 72,721	\$ 72,721	-	\$ -	\$ 72,721
1994	1,967	1,765	2.00%	39	1,805
1996	2,887	2,305	2.00%	58	2,363
1997	2,896	2,174	2.00%	58	2,232
2004	4,303	1,720	2.00%	86	1,806
2013	3,182	32	2.00%	64	96
2013	26,853	672	5.01%	1,345	2,017
2014	<u>36,562</u>	-	5.01%	<u>916</u>	<u>916</u>
Totals	<u>\$ 151,371</u>	<u>\$ 81,390</u>		<u>\$ 2,565</u>	<u>\$ 83,955</u>

COMPARATIVE STATEMENT OF OPERATING INCOME

Acct. No.	OPERATING REVENUES	PRIOR YEAR	TEST YEAR	PROFORMA ADJUSTMENTS	REF #	ADJUSTED TEST YEAR	PROPOSED RATE INCR	REF #	PROPOSED RATES
461	Metered Water Revenue	\$ 241,032	\$ 223,841			\$ 223,841	\$ 145,299	6	\$ 369,140
462	Surcharge Revenue	103,781	101,942	(1,352)	7	100,590	(100,590)	6	-
474	Other Water Revenues	8,876	7,336			7,336			7,336
	TOTAL OPERATING REVENUES	\$ 353,689	\$ 333,119	\$ (1,352)	*	\$ 331,767	\$ 44,709		\$ 376,476
	OPERATING EXPENSES								
601	Salaries and Wages (See page 1, item 5)	\$ -	\$ -			\$ -			\$ -
610	Purchased Water (See page 1, item 6)	-	-			-			-
615	Purchased Power (See page 1, item 7)	32,813	31,976			31,976			31,976
618	Chemicals	390	773			773			773
620	Repairs and Maintenance (See page 1, item 8)	4,059	10,114			10,114			10,114
621	Office Supplies & Expense	3,319	4,799			4,799			4,799
630	Outside Services (See page 1, item 9)	97,623	107,323			107,323			107,323
635	Water Testing (See page 1, item 10)	1,370	5,109	(2,099)	S1	3,010			3,010
641	Rents	1,419	1,373			1,373			1,373
650	Transportation Expenses	3,253	3,785			3,785			3,785
657	Insurance - General Liability	1,942	2,034			2,034			2,034
659	Insurance - Health and Life	-	-			-			-
666	Regulatory Commission Exp-Rate Case	-	-	6,000	1	6,000			6,000
675	Miscellaneous Expense	4,785	5,170			5,170			5,170
676	Bad Debt Expense	-	10,192	(8,154)	2	2,038			2,038
403	Depreciation Expense (From page 21)	30,955	49,046	(144)	3a	48,902	25,939	3b	74,841
408	Taxes Other Than Income	-	-			-			-
408.11	Property Taxes (See page 1, item 11)	9,870	12,080	4,284	4a	16,364	285	4b	16,650
409	Income Tax	50	50	11,816	5a	11,866	4,960	5b	16,826
427.2	Customer Security Deposit Interest	241	227			227			227
	TOTAL OPERATING EXPENSES	\$ 192,089	\$ 244,051	\$ 11,704		\$ 255,755	\$ 31,184		\$ 286,939
	OPERATING INCOME/(LOSS)	\$ 161,600	\$ 89,068	\$ (13,056)		\$ 76,012	\$ 13,525		\$ 89,537

Cash Flow Analysis

Operating Income	\$ 89,537
Less WIFA loan payments @ \$7,565 per month	(91,752)
Add Depreciation Expense	74,841
Cash Flow from Operations	<u>\$ 72,626</u>

Note: Southland adopted Staff adjustment A from Schedule JLK-3, Page 1 of 5, and it appears above as adjustment S1.

DETAIL OF PROFORMA ADJUSTMENTS

1	Adjustment 1		
2	Rate Case Expense	Annual Rate Case Expense	\$ 6,000
3	Total	Test Year Rate Case Expense	-
4	Amortized over 5 year	Adjustment 1	\$ 6,000
5	Adjustment 2		
6	Annualize Bad Debt Expense		
7	Bad debt written of during 2014		\$ 10,192
8	Annualization period		5
9	Annualized cost		\$ 2,038
10	Test Year Expense		10,192
11		Adjustment 2	\$ (8,154)
12	Adjustment 3		
13	Depreciation Expense - please refer to Page 21		
14	Test Year Actual Depreciation Expense		\$ 49,046
15	Adjust Depreciation Expense for Office Furniture		54
16	Remove Depreciation Expense for Transportation Equipment		(199)
17	Rounding		1
18	Adjusted Test Year Depreciation Expense		48,902
19		Adjustment 3a (Lines 15 + 16 + 17)	\$ (144)
20	Proposed Depreciation Expense		\$ 74,841
21	Adjusted Test Year Depreciation Expense		48,902
22		Adjustment 3b	\$ 25,939
23	Adjustment 4		
24	Property Tax Expense - please refer to Page 19c		
25	Calculated Property Tax Expense		\$ 16,364
26	Actual Test Year Property Tax Expense		12,080
27		Adjustment 4a	\$ 4,284
28	Property Tax Expense at Proposed Revenue		
29	Calculated Property Tax Expense at Proposed Revenue		\$ 16,650
30	Adjusted Test Year Property Tax Expense		16,364
31		Adjustment 4b	\$ 285
32	Adjustment 5		
33	Income Tax Expense - please refer to Page 19d		
34	Calculated income Tax Expense		\$ 11,866
35	Test Year Income Tax		50
36		Adjustment 5a	\$ 11,816
37	Income Tax Expense at Proposed Revenue		
38	Calculated income Tax Expense at Proposed Revenue		\$ 16,826
39	Adjusted Test Year Income Tax		11,866
40		Adjustment 5b	\$ 4,960
41	Adjustment 6		
42	Proposed Revenue		
43	Company Proposed Revenue		\$ 376,476
44	Test Year Adjusted Revenue		331,767
45		Adjustment 6	\$ 44,709
46	Adjustment 7		
47	Test Year Surcharge Revenue		\$ 101,942
48	Adjusted Surcharge Revenue		100,590
49	Adjustment for overbilling refunded	Adjustment 7	\$ (1,352)

DETAIL OF PROPERTY TAX EXPENSE ADJUSTMENTS 4a and 4b

Line		Test Year as Adjusted	Company at Proposed Rates
1	Adjusted 2014 Test Year Revenue	\$ 331,767	\$ 331,767
2	Weight Factor	2	2
3	Subtotal	\$ 663,534	\$ 663,534
4	Company Recommended Revenue	331,767	376,476
5	Subtotal	\$ 995,301	\$ 1,040,010
6	Number of Years	3	3
7	Three Year Revenue Average	\$ 331,767	\$ 346,670
8	AZ Department of Revenue Multiplier	2	2
9	Revenue Base Value	\$ 663,534	\$ 693,340
10	Plus 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value	\$ 663,534	\$ 693,340
13	Assessment Ratio	19.00%	18.50%
14	Assessment Value	\$ 126,071	\$ 128,268
15	Composite Property Tax Rate *	12.9803%	12.9803%
16	Adjusted Test Year Property Tax Expense	\$ 16,364	
17	Actual Test Year Property Tax Expense	12,080	
18	Total Adjustment 4a	\$ 4,284	
19		Projected Property Tax Expense	\$ 16,650
20		Adjusted Test Year Property Tax Expense	16,364
21	Total Adjustment 4b		\$ 285
22	<i>* Property tax composite rate calculation:</i>		
23	Assessed Value per 2014 Property Tax Notices	\$ 86,879	
24	Property Tax due per 2014 Notices ¹	11,277	
25	Composite Property Tax Rate	12.9803%	

¹ 2014 Property Tax Notices only were used to calculate the composite rate as after 2013 parcel 107-37-1332 was consolidated with parcel 924-56-8700.

CALCULATION OF INCOME TAX ADJUSTMENTS 5a and 5b

Line No.	Description	Total Test Year	Company Proposed	Total Proposed
	Calculation of Income Tax:			
1	Revenue	\$ 331,767	\$ 376,476	
2	Operating Expenses Excluding Income Taxes	(243,889)	(270,113)	
3	Other Income/Expense	(31,424)	(31,424)	
4	Arizona Taxable Income (L1 - L2- L3)	\$ 56,454	\$ 74,939	
5	Arizona State Income Tax Rate	6.5000%	5.5000%	
6	Arizona Income Tax (L4 x L5)	\$ 3,670		\$ 4,122
7	Federal Taxable Income (L4- L6)	\$ 52,785	\$ 70,818	
8	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	7,500	7,500	
9	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 2	696	5,204	
10	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%			
11	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%			
12	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%			
13	Total Federal Income Tax	8,196		12,704
14	Combined Federal and State Income Tax (L6 + L13)	\$ 11,866		\$ 16,826
15	Test Year Income Tax Expense	50		
16	Adjustment 5a to Test Year Income Tax Expense	\$ 11,816		
17	Adjusted Test Year Income Tax Expense			11,866
18	Adjustment 5b to Proposed Income Tax Expense			\$ 4,960

CALCULATION OF DEPRECIATION EXPENSE

Acct. No.	Description	Column A Plant Original Cost*	Column B Fully/Non-Depreciable Plant	Column C Depreciable Plant (Col A - Col B)	Column D Depreciation Percentage*	Column E ¹ Depreciation Expense (Col C x Col D)	Column F ² Proforma Depreciation Expense
301	Organization	\$ -	\$ -	N/A	N/A	N/A	N/A
302	Franchises	-	-	N/A	N/A	N/A	N/A
303	Land & Land Rights	1,070	1,070	N/A	N/A	N/A	N/A
304	Structures & Improvements	47,057		\$ 47,057	3.33%	\$ 1,199	\$ 1,567
307	Wells & Springs	30,144		30,144	3.33%	1,004	1,649
309	Supply Mains	-		-		-	-
310	Power Generation Equipment	-		-		-	-
311	Pumping Equipment	415,531	75,674	339,857	12.50%	25,024	46,349
320	Water Treatment Equipment	N/A	N/A	N/A	N/A	N/A	N/A
320.1	Water Treatment Plants	6,560		6,560	3.33%	109	218
320.2	Solution Chemical Feeders	4,732		4,732	20.00%	946	946
330	Distribution Reservoirs & Standpipes	N/A	N/A	N/A	N/A	N/A	N/A
330.1	Storage Tanks	653,678		653,678	2.22%	11,429	14,512
330.2	Pressure Tanks	-		-		-	-
331	Transmission & Distrib. Mains	250,436	209,091	41,345	2.00%	429	853
333	Services	41,542	41,070	472	3.33%	16	16
334	Meters & Meter Installations	78,982		78,982	8.33%	6,450	6,701
335	Hydrants	153,743		153,743	2.00%	1,537	3,075
336	Backflow Prevention Devices	-		-		-	-
339	Other Plant & Misc Equipment	-		-		-	-
340	Office Furniture & Equipment	-		-	6.67%	166	166
340.1	Computers & Software	-		-		-	-
341	Transportation Equipment	-		-		-	-
343	Tools, Shop & Garage Equip.	-		-		-	-
344	Laboratory Equipment	-		-		-	-
345	Power Operated Equipment	-		-		-	-
346	Communication Equipment	5,697		5,697	10.00%	320	570
347	Miscellaneous Equipment	7,833		7,833	10.00%	577	783
348	Other Tangible Plant	-		-		-	-
	TOTAL	\$ 1,697,004	\$ 326,906	\$ 1,370,098		\$ 49,207	\$ 77,406
	Less: Amortization of CIAC					(305)	(2,565)
	Depreciation Expense					\$ 48,902	\$ 74,841

¹ Column E amounts represent half year convention in categories that had additions in 2014.

² Column F amounts represent a full year of depreciation expense of the amount in Column C, as well as the post test year plant additions reflected below:

307 - Wells and Springs	\$ 19,380
311 - Pumping Equipment	30,938
331 - Transmission and Distribution	1,319
334 - Meters	1,459
Total Post Test Year Plant	\$ 53,096

CURRENT AND PROPOSED RATES AND CHARGES

CUSTOMER CLASS: Residential____ Commercial____ Industrial____

Irrigation____ All X Other, specify_____

MINIMUM OR SERVICE CHARGES		CURRENT RATES ¹		PROPOSED RATES	
		\$	GALLONS	\$	GALLONS
5/8" x 3/4" Meter		\$ 16.00	for -	\$ 26.00	for -
3/4" Meter		22.50	for -	39.00	for -
1" Meter		37.50	for -	65.00	for -
1-1/2" Meter		75.00	for -	130.00	for -
2" Meter		120.00	for -	208.00	for -
3" Meter		240.00	for -	416.00	for -
4" Meter		375.00	for -	650.00	for -
6" Meter		750.00	for -	1,300.00	for -
MONTHLY WIFA SURCHARGE		CURRENT RATES		PROPOSED RATES	
5/8" x 3/4" Meter		\$ 13.39		0	
3/4" Meter		20.09		0	
1" Meter		33.48		0	
1-1/2" Meter		66.95		0	
2" Meter		107.13		0	
3" Meter		214.25		0	
4" Meter		334.77		0	
6" Meter		669.54		0	

¹ Monthly minimum rates per Decision 72429 as amended *NUNC PRO TUNC* on June 30, 2011.

CURRENT AND PROPOSED RATES AND CHARGES (Continued)

Commodity Charge in Excess of Minimum (Charge Per 1,000 Gallons)	Current Rates		Proposed Rates	
	Rate	Gallons	Rate	Gallons
5/8" x 3/4" Meter (All Classes)				
First Tier	\$ 1.55	0 to 2,000	\$ 3.45	0 to 2,000
Second Tier	3.00	2,001 to 6,000	4.90	2,001 to 6,000
Third Tier	4.00	6,001 to 12,000	6.50	6,001 to 12,000
Fourth Tier	6.18	Over 12,000	7.55	Over 12,000
3/4" Meter (All classes)				
First Tier	\$ 4.00	1 to 12,000	\$ 6.50	1 to 12,000
Second Tier	6.18	Over 12,000	7.55	Over 12,000
1" Meter (All Classes)				
First Tier	\$ 4.00	1 to 30,000	\$ 6.50	1 to 30,000
Second Tier	6.18	Over 30,000	7.55	Over 30,000
1 1/2" Meter (All Classes)				
First Tier	\$ 4.00	1 to 60,000	\$ 6.50	1 to 60,000
Second Tier	6.18	Over 60,000	7.55	Over 60,000
2" Meter (All Classes)				
First Tier	\$ 4.00	1 to 90,000	\$ 6.50	1 to 90,000
Second Tier	6.18	Over 90,000	7.55	Over 90,000
3" Meter (All Classes)				
First Tier	\$ 4.00	1 to 125,000	\$ 6.50	1 to 125,000
Second Tier	6.18	Over 125,000	7.55	Over 125,000
4" Meter (All Classes)				
First Tier	\$ 4.00	1 to 200,000	\$ 6.50	1 to 200,000
Second Tier	6.18	Over 200,000	7.55	Over 200,000
6" Meter (All Classes)				
First Tier	\$ 4.00	1 to 400,000	\$ 6.50	1 to 400,000
Second Tier	6.18	Over 400,000	7.55	Over 400,000

CURRENT AND PROPOSED SERVICE CHARGES

CUSTOMER CLASS: Residential____ Commercial____ Industrial____
Irrigation____ All X Other, specify_____

SERVICE LINE AND METER INSTALLATION CHARGES	CURRENT CHARGES			PROPOSED CHARGES		
	SERVICE LINE CHARGES	METER CHARGES	TOTAL CHARGES	SERVICE LINE CHARGES	METER CHARGES	TOTAL CHARGES
5/8" x 3/4" Meter	\$ 445.00	\$ 155.00	\$ 600.00	\$ 445.00	\$ 155.00	\$ 600.00
3/4" Meter	445.00	255.00	700.00	445.00	255.00	700.00
1" Meter	495.00	315.00	810.00	495.00	315.00	810.00
1-1/2" Meter	550.00	525.00	1,075.00	550.00	525.00	1,075.00
2" Turbine Meter	830.00	1,045.00	1,875.00	830.00	1,045.00	1,875.00
2" Compound Meter	830.00	1,890.00	2,720.00	830.00	1,890.00	2,720.00
3" Turbine Meter	1,045.00	1,670.00	2,715.00	1,045.00	1,670.00	2,715.00
3" Compound Meter	1,165.00	2,545.00	3,710.00	1,165.00	2,545.00	3,710.00
4" Turbine Meter	1,490.00	2,670.00	4,160.00	1,490.00	2,670.00	4,160.00
4" Compound Meter	1,670.00	3,645.00	5,315.00	1,670.00	3,645.00	5,315.00
6" Turbine Meter	2,210.00	5,025.00	7,235.00	2,210.00	5,025.00	7,235.00
6" Compound Meter	2,330.00	6,920.00	9,250.00	2,330.00	6,920.00	9,250.00
Over 6"	N/A	N/A	N/A	Cost	Cost	Cost

OTHER CHARGES	CURRENT CHARGES	PROPOSED CHARGES
Establishment	\$ 30.00	\$ 35.00
Reconnection (Delinquent)	40.00	40.00
After Hours Service Charge	N/A	40.00
Meter Test (if correct)	\$ 35.00	35.00
Deposit	*	*
Deposit Interest	*	*
Re-establishment (Within 12 Months)	**	**
NSF Check	\$ 25.00	\$ 25.00
Deferred Payment (Monthly)	1.5% per mo.	1.5% per mo.
Meter Re-Read (If Correct)	\$ 20.00	\$ 20.00
Late Fee (Monthly)	1.5% per mo.	\$ 5.00
Monthly Service Charge for Fire Sprinklers	***	***
Establishment (After Hours)	\$ 40.00	N/A
Reconnection (Delinquent and After Hours)	50.00	N/A

* Per Commission Rules R-14-2-403.B

** Months off system times the monthly minimum per R14-2-403.d

*** 2% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month.
The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary service line.

SUMMARY OF WIFA BANK ACCOUNT ACTIVITY

Total WIFA surcharge collected from customers and deposited into separate interest bearing account as of 12/31/14	\$ 222,537
WIFA loan payments made from account as of 12/31/14	(145,616)
Interest income accumulated as of 12/31/14	49
WIFA bank account balance as of 12/31/14	\$ 76,970
Additional surcharge collections through 11/01/15	87,121
Additional WIFA loan payments through 11/01/15	(84,865)
Interest income accumulated as of 11/01/15	66
WIFA bank account balance as of 11/01/15	\$ 79,291
WIFA surcharge billed but not collected as of 11/01/15	4,416
November 2014 estimated surcharge billing	8,383
December 2014 estimated surcharge billing	8,383
January 2015 estimated surcharge billing	8,383
WIFA bank balance including remaining projected surcharges	\$ 108,856
December 2015 WIFA payment	(7,646)
January 2016 WIFA payment	(7,646)
February 2016 WIFA payment	(7,646)
March 2016 WIFA payment	(7,646)
April 2016 WIFA payment	(7,646)
May 2016 WIFA payment	(7,646)
June 2016 WIFA payment	(7,646)
July 2016 WIFA payment	(7,646)
August 2016 WIFA payment	(7,646)
September 2016 WIFA payment	(7,646)
October 2016 WIFA payment	(7,646)
November 2016 WIFA payment	(7,646)
December 2016 WIFA payment	(7,646)
January 2017 WIFA payment	(7,646)
Projected WIFA bank balance after January 2017 payment	<u>\$ 1,812</u>